

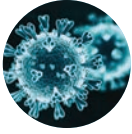


A CORPORATE GUIDE TO PAID SICK LEAVE

FEBRUARY 2021



KEY TAKEAWAYS FROM THIS REPORT



The coronavirus pandemic has brought paid sick leave to the forefront of benefits discussions in ways never seen before.



Paid sick leave is crucial to limiting the spread of the virus, protecting workers' economic security, and supporting businesses.



As companies bear the majority of responsibility for healthcare access and employee benefits in the U.S., there is a significant need to focus on paid sick leave specifically as executives continue to build reopening plans and deal with the impacts of the global health crisis.



The American public wants companies to implement paid sick leave, including **74% of respondents** in a recent survey by JUST Capital and The Harris Poll.



Providing paid sick leave to employees could save employers an average of **\$1.8 billion a year** and reduce turnover.



According to data insights from JUST Capital's **2021 Rankings of America's Most JUST Companies**, 20% of large companies have expanded their sick leave policy as a result of COVID-19.



In addition to supporting employee well-being, retention, and recruitment, paid sick leave protects the financial security of workers and strengthens the resiliency and reliability in a company's value chain.



THE STATE OF PAID LEAVE IN AMERICA

For years, there have been mounting calls from researchers, advocates, policy makers, and workers to increase Americans' access to a range of paid leave benefits in the absence of government action. The COVID-19 health crisis has put a spotlight on these critical issues. It has never been clearer that all workers need access to a range of paid leave benefits to care for themselves or for an ill family member or young child. Paid leave benefits, whether provided voluntarily by a company or through a government program, are vital to protecting workers' health and economic security. In the brief below, we focus on one of the most crucial and basic forms of paid leave – paid sick leave – and discuss the state of workers' access to these benefits, how corporate policies have changed in response to COVID-19, and what actions business leaders can take moving forward.

WHAT IS PAID LEAVE?

There are many forms of paid leave employers can provide employees, with key policies including:

- **Paid parental leave**, which provides paid time off work to care for new children;
- **Paid family leave**, which provides paid time off to care for a family member or dependent and is typically available for longer periods of time than paid sick leave;
- **Paid medical leave**, which provides paid time off to care for oneself; and
- **Paid sick leave** — also known as paid sick days — which provides a limited number of paid hours or days (typically between three and eight days) for short illnesses, for employees to care for their or a family member's health.

These policies are typically structured in one of three ways. **68% of workers** with access to paid sick leave accrue a fixed number of days each year. Another 28% of workers can use a consolidated amount of paid time for sick leave each year. Finally, just **3% of workers** can access a paid sick leave program where they can take as many days as needed. Policies like these are especially important in times of crisis, as demonstrated by the COVID-19 pandemic.



WHO HAS ACCESS TO PAID SICK LEAVE?

For business leaders who are assessing their own paid leave policies, there is important context in understanding the state of play on paid leave in America today. There can be serious downsides for workers and their families — and businesses, too — when they don't have access to paid leave or their benefits are significantly constrained. The CDC estimates that absenteeism costs U.S. employers an average of **\$225.8 billion a year**.

The reality is that at the beginning of the pandemic, more than a quarter of all workers didn't have access to paid sick leave, with **73% of private-sector workers** having access to some form of paid sick leave benefit. These workers without paid sick leave programs tend to be concentrated in industries that remained open during the crisis, such as retail and hospitality. These industries also usually pay lower wages, and so among the bottom quartile of earners, less than half of all workers (47%) have access to paid sick leave. Additionally, Hispanic, low-wage, part-time, Black, and immigrant workers are even **less likely** to have paid sick leave. A **recent study** also showed that Black and Latinx workers were more likely than white workers to have had an instance that would require them to take time off from work for family or personal medical reasons, but were unable to because they would lose significant wages, or their employment overall.

We've also seen a double challenge emerge with the lack of telecommuting opportunities coupled with the lack of paid sick

leave. Overall, **71% of Americans**, and **75% of workers** over age 65 are unable to telecommute or work from home. These workers are particularly reliant on access to paid sick leave in order to protect their health. According to JUST Capital's analysis of survey data from the U.S. Census Bureau, **71% of Americans** who did not work due to COVID-19 symptoms were not paid for their time away from work.

For the average family, missing 2.7 work days due to illness is equivalent to the cost of a full month's groceries. And in other cases, employees may lose their jobs if unable to report to work without access to these policies. In fact, one in four workers reports being threatened with job loss or losing a job for taking unpaid sick leave due to illness.

Additionally, the length of paid sick leave has emerged as a source of challenge for many. The average length of available time for paid sick leave is eight days per year. This amount of paid sick leave is obviously below the CDC-recommended 14 days during the pandemic, and also does not leave room to care for other family members (a related issue of paid family and medical leave). For employees who have used paid time off prior to becoming sick, lack of access to a paid sick leave policy could mean those workers are required to come into work, potentially affecting their coworkers and the overall productivity of the company.

HOW COVID-19 IMPACTED PAID SICK LEAVE

JUST Capital extensively polls the American public on what people believe companies should prioritize, and Americans have consistently noted that putting workers first is their top priority. In fact, according to a JUST Capital / The Harris Poll survey, [74% of Americans](#) believe companies should provide at least 14 day of paid sick leave. The coronavirus pandemic has presented an unfortunate but nonetheless unique opportunity for corporate leadership to show how much they care for their U.S. workforce, in the absence of government intervention requiring paid sick leave for all workers.

Since March of 2020, JUST Capital has been [tracking](#) how companies have responded to the global health crisis, and found that only a small minority has committed to providing paid sick leave to workers. **Overall, and since March, among the 1,000 largest public U.S. employers, 194 have published a new or updated paid sick leave policy of any kind.** Of those, all but one company extended or created a new paid sick leave policy during COVID-19, with 40 of those policies containing additional criteria to access, like an official diagnosis, in order to use the benefit. While the CARES Act, passed by Congress in March 2020, does require employers with fewer than 500 employees to provide workers with paid sick time, more than half of all working Americans who work for large companies are excluded from this legislation.

COMPANY SPOTLIGHT: TRACTOR SUPPLY

At the start of the pandemic in the U.S., companies were faced with the need to quickly implement new or expanded paid sick leave programs. [Tractor Supply](#), a company with a large frontline workforce, moved quickly to offer 14 days of paid sick leave for any team member who becomes ill, and has also waived cost-sharing for telehealth visits under their medical plan as part of the expanded policy. Other companies, like Intel, have had plans of action and response teams for pandemic or other emergency situations in place for some time, which includes its robust paid sick leave policy.



BENEFITS TO PAID SICK LEAVE FOR EMPLOYERS

As companies continue the process of re-opening, paid sick leave has become an important part of the puzzle. These policies serve to minimize continued spread of the virus, protect the financial security of workers, help companies retain employees, and protect against long-term shortages or reliability in the value chain. The consequences of not having a paid sick leave policy in this time of crisis have been serious in some instances. For example, several major [meatpacking companies](#) had to shut down plant operations following waves of COVID-19 cases on their factory floors.

Even beyond the coronavirus, there is a wide array of illnesses and instances of required care for family members that can create significant barriers to employees' attendance, productivity, and overall retention. [Darden Restaurants](#) has around 180,000 employees and expanded its new provision of paid sick leave benefits to hourly workers beyond the pandemic. While the extension of COVID-19-specific policies may not be possible in all situations, there are a number of companies using this moment to make long-term changes to worker health benefits.

The benefits of these policies include, but are not limited to, retention, recruitment, and employee well-being – which all can bolster the overall financial health of a company. In fact, research from JUST Capital shows that stakeholder-focused companies that prioritize their workforces have [outperformed their peers by 7.3% so far in 2020](#). Since the pandemic began, investors have increasingly emphasized paid sick leave as well, with 286 institutional investors representing \$8.2 trillion [calling for companies to provide paid sick leave](#), prioritize health and safety measures, retain their workforces, maintain supplier and customer relationships, and remain financially prudent in response to coronavirus. Companies are facing a distinct choice to protect their employees at all levels, keep communities and families caring for dependents financially secure, and to build healthier communities, and can take a significant step in this process by implementing paid sick leave.

PROMISING PRACTICES FOR PAID SICK LEAVE

Before the onset of COVID-19 in the United States, paid sick leave programs had little-to-no standardization in corporate America. While companies in the tech sector and startup culture have leaned more and more on providing unlimited paid time off to their employees in an attempt to account for their individual needs, others have preferred more issue-specific policies like paid sick, family, parental, and other leave to provide benefits to their employees. Others still have attempted to use short-term disability programs to close this gap, though they do not provide the same level of security to those who might need to utilize a paid sick leave policy.

The first key element of effective paid sick leave policies relates to eligibility. To ensure the safety of a company's workforce, paid sick leave policies should extend to all of a company's full-time and part-time workers. For all employers rolling out programs, the length of paid sick leave is another critical benchmark. Given what [scientific research](#) says about COVID-19's incubation period, the length of leave matters not just to a worker's own health but also to the health of customers and others in their community. The CDC recommends 14 days of quarantine for those showing symptoms or with direct exposure to stop the spread of COVID-19, which means that companies should consider providing at least up to 14 days of paid sick leave to mitigate the spread of COVID-19, and to ensure that employees have enough paid time off to recuperate and care for loved ones if they need to. One standout retail company providing its employees with accessible, lengthy paid sick leave is [Home Depot](#), which is providing all employees with 80 hours of paid sick leave (40 hours for part-time employees) which will be paid out at the end of the year if not used. Additionally, the company has offered an additional 240 hours of paid-time off for full-time employees (and 120 hours for part-time associates), to older workers, or those determined to be at greater risk by the CDC.

One of the most common issues with paid sick leave policies relates to barriers of access. Similar to employment status determining eligibility, requirements like a confirmed diagnosis from a doctor, especially in environments lacking widely available testing, can prevent employees from using sick leave benefits even when they have them. Requiring a diagnosis, verification of illness from human resources departments, or a doctor's note in order to access benefits represents a paid leave gap, where workers must choose between work and potential spread. This gap can put the health of coworkers, customers, and communities at risk.

Lastly, while paid sick leave policies are essential to the survival and well-being of workers and businesses alike during our current global health crisis, these policies are important in any context. And these paid sick leave practices provide benefits to employers just as well as employees. In fact, presenteeism, defined as employees reporting to work while sick, costs the U.S. economy an estimated [\\$234 billion a year](#) when adjusted for inflation. Not only can companies save big on presenteeism, companies can save an additional [\\$1.8 billion a year](#) in reduced absences and reduced spread of flu-like symptoms alone by implementing paid sick leave policies.

SUMMARY OF PAID SICK LEAVE PROMISING PRACTICES

- ☐ **Ensure eligibility** for workers regardless of full- or part-time status.
- ☐ Consider providing up to **14 days** of paid time off for illness.
- ☐ **Reduce barriers** to access (including an official diagnosis of illness).
- ☐ Consider **maintaining** the policy beyond the current health crisis.

THE FUTURE OF PAID LEAVE

In the last year, companies have created and expanded paid sick leave policies out of necessity. As the global health crisis continues to evolve, there are a number of actions companies can take to protect their workers and their families, from [increasing wages](#) to ensuring their workers are able to [take time off when the need arises](#), especially for essential workers and those with caregiving needs. By increasing access to paid sick leave, employees can also use the time they need to [care for their dependents](#) if they become ill or require additional care for a short time. This crisis in health has also highlighted the need for better paid leave on an ongoing basis. While many companies have instituted practices that protect their employees, communities, and customers during this time, there is still a lack of consistent access to paid sick leave for a majority of working Americans, leaving a significant opportunity to support healthy families and a more resilient economy. Increasing access to paid sick leave can also [increase racial equity](#) in the workplace by accommodating the varying needs of workers regardless of background or ethnicity.

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**ABOUT JUST CAPITAL**

The mission of JUST Capital, an independent nonprofit, is to build an economy that works for all Americans by helping companies improve how they serve all their stakeholders – workers, customers, communities, the environment, and shareholders. We believe that business and markets can and must be a greater force for good, and that by shifting the resources of the \$19 trillion private sector, we can address systemic issues at scale, including income inequality and lack of opportunity. Guided by the priorities of the public, our research, rankings, indexes, and data-driven tools help measure and improve corporate performance in the stakeholder economy. To learn more about how data-driven insights are creating a more just future for capitalism, visit: www.JUSTCapital.com.

**ABOUT AARP**

AARP is the nation's largest nonprofit, nonpartisan organization dedicated to empowering Americans 50 and older to choose how they live as they age. With nearly 38 million members and offices in every state, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, AARP works to strengthen communities and advocate for what matters most to families with a focus on health security, financial stability and personal fulfillment. AARP also works for individuals in the marketplace by sparking new solutions and allowing carefully chosen, high-quality products and services to carry the AARP name. As a trusted source for news and information, AARP produces the nation's largest circulation publications, AARP The Magazine and AARP Bulletin. To learn more, visit www.aarp.org or follow @AARP and @AARPadvocates on social media.